

UNFCCC Secretariat
Martin-Luther-King-Strasse 8
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Germany

June 10th 2008

Dear Members of the CDM Executive Board,

Please find below our responses to the issues raised by the request for review of the "Project 1603: Zhengzhou Coal Industry (Group) Co., Ltd. Coalmine Methane Utilization Project".

1. The DOE should render a validation opinion on whether the input values are appropriate in the context of the project activity.

The DOE shall render its opinion on the appropriateness of the input values in the context of the project activity. Nevertheless, in order to give comfort to the DOE for the assessment of its opinion about the input values, the Project Participants (PPs) want to remind the project context as follows:

- a 1st Feasibility Study Report (FSR) was made about this project, which was then updated following a change of project size. All the input values come from these two documents and further equipment suppliers information validated by the DOE.
- the 1st FSR was completed in May 2006, fifteen months after Zhengzhou Coal Industry (Group) Co., Ltd. entrusted Eco-Carbone to study the feasibility of a CDM coalmine methane recovery project within its facilities (this agreement was reviewed during validation and is mentioned in the validation report).
- this 1st FSR concluded that the project actually needed CER revenues to go forward, given the calculated IRR was actually much lower than the benchmark. The supporting evidences from this 1st FSR were sent to the DOE following this request for review, on the basis of which the DOE validated these facts.
- some input values from this 1st FSR were not used in the PDD investment analysis for two reasons:
 - following the installation of the first gas engines from June 2007, the updated FSR drafted in August 2007 enhanced that some key input values from the 1st FSR (investment costs and O&M costs per unit) had actually slightly decreased between May 2006 and August 2007: -3% for the investment costs and -9% for the O&M cost. Some other input values remained valid, i.e. the electricity price and the heat price. Therefore, the sourcing of some PDD input values from the updated FSR was actually a conservative approach. All supporting evidences were sent to the DOE for validation following this request for review.
 - at the time of 1st FSR, the planned size of the project was smaller (4 gas engines and 4 Vocsidizers). This is why the FSR was updated in August 2007 in order to account for the planned final project size, as described in the PDD (16 gas engines and 7 Vocsidizers).

Thus, the input values of the updated FSR were estimated to better represent the actual project economics, capturing possible economies of scale not included in the 1st FSR. This was also a conservative approach.

2. The monitoring of the methane destroyed by power and by heat (MDELEC and MDHEAT), the relative proportion of NMHC compare to methane (r), the methane and NMHC concentrations (PCCH4 and PCNMHC) should be included in section B.7.1 of the monitoring plan.

The PDD has been modified and now includes these data and parameters in section B.7.1 of the monitoring plan.

3. Individual monitoring and QA/QC procedures for each site should be presented in the PDD.

The PDD has been modified and now presents in section B.7.2 of the monitoring plan the actual individual monitoring and QA/QC procedures for each site.

4. The DOE should clarify how it can be assured that the efficiency of methane oxidation in Vocsidizer (Eff_{HEAT}) will be maintained at the manufacturers' specifications throughout the crediting period.

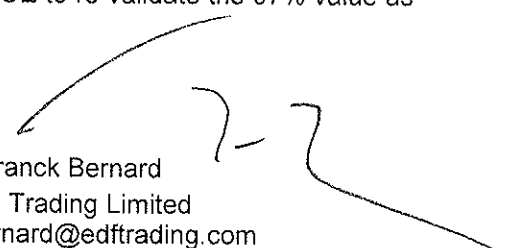
As per the version 03 of ACM0008, which is applied in Zhengzhou PDD, the efficiency of methane destruction/oxidation in heat plant, Eff_{HEAT} , has to be estimated ex-ante, the value required by the methodology being 99.5%.

Nevertheless, by conservativeness, the PPs have voluntarily used a more conservative estimation of 97% which corresponds to the minimum Vocsidizer performance.

The PPs and the equipment supplier have provided to the DOE further evidences enhancing that the actual Vocsidizer performance can be confidently expected to exceed the manufacturer specifications throughout the crediting period.

These evidences have been assessed by the DOE and enabled the DOE to re-validate the 97% value as a conservative estimate for Eff_{HEAT} throughout the crediting period.

Best regards,



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